

GOVERNMENT OF TELANGANA
ABSTRACT

Rural Development – Vaddi Leni Runalau(VLR) under SHG Bank linkage Programme and
Stree Nidhi loans-Guidelines for implementation- Orders-Issued

PANCHAYAT RAJ & RURAL DEVELOPMENT (RD) DEPARTMENT

G.O.MS.No. 27.

Dated:02-03-2015

Read the following:

1. G.O.MS.No.403, PR&RD (RD.II) Dept., Dated:26-12-2011.
2. G.O.MS.No. 389, PR&RD (RD.II) Dept., Dated:31-12-2012

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ORDER

In the reference 1st read above, the Government have issued full interest subvention on SHG-Bank linkage loans repaid promptly, with effect from 1.1.2012 with a view to encourage credit flow to the SHGs, better repayment and to reduce interest burden on the poor for the loans taken by SHGs as also to improve profitability of enterprises established using the loans.

In the reference 2nd read above, Govt have issued the modalities for implementation of the Vaddi Leni Runalu (VLR) for SHG bank loans and Stree Nidhi loans both in rural and urban areas covering both outstanding loans and new loans.

As a sequel to bifurcation of the State, a need arose for issuing the guidelines with necessary fine tuning wherever required. Accordingly, the existing guidelines were modified and the revised guidelines as indicated below will be made effective from the financial year 2014-15.

1. SHG Bank linkage Programme -Interest subvention from GOI under NRLM and State Govt.

The Govt. of India has classified all districts in the state into **Category I and II** based on their backwardness to extend interest sub-vention benefits to Women SHGs on their borrowings from banks upto Rs. 3 lakh in rural areas as indicated below:

A. Category I districts

i. Govt. of India under NRLM provides for charging of 7% interest per annum by banks both for cash credit and or term loans uptoRs 3.00 lakh extended to women SHGs in **Category I** Districts (presently, Adilabad, Khammam, Karimnagar and Warangal).

ii. An additional interest sub-vention of 3% will be given by Govt. of India under NRLM on prompt repayment of amount due **subject to criteria specified by RBI**, which reduces the effective rate of interest to 4%.

iii. The financing banks will adhere to the guidelines of RBI/GOI in this regard and amounts will be claimed by banks from GOI.

iv. Vaddi Leni Runalu (VLR)from State Govt. for Category I districts

State Govt. will extend VLR for loans as mentioned below:

a. For loan amounts of above Rs. 3 lakh and uptoRs.5 lakh, both in case of Cash Credit and term loans, VLR will be given fully.

b. For loans upto Rs. 3 lakh, 4% interest will be given as VLR.

c. The VLR from State Govt. as mentioned above will be given to eligible SHGs, decided based on the following criteria.

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- SHGs have to repay at least 3% of the outstanding principal amount every month in case of cash credit loans.
- For term loans, principal amount due for that month has to be repaid within 30 days of the due date.

B. Category II districts

For **category II** districts, comprising of districts other than the above 4 districts for the present or as specified by GOI from time to time, all women NRLM compliant S.H.Gs under N.R.L.M will be eligible for interest subvention for loan facility upto Rs 3 lakh. In these districts, Banks will charge the SHGs as per their respective lending rates and the State Govt. will give VLR as mentioned below:

- i. Difference between the lending rates of banks and 7% will be sub-vented in the loan accounts of the SHGs for loans upto Rs. 3 lakh in respect of both cash credit and term loans and the amounts will be reimbursed by the Govt. of India to the State Govt. subject to budget allocation by GOI.
- ii. Subject to the above, VLR for loans upto Rs.5 lakh both in respect of cash credit and term loans will be given by the State Govt. in case of eligible SHGs as per the criteria mentioned at Para A (iv)(c) above.

2. Stree Nidhi Loans- Eligibility for VLR from State Govt.:

Loans taken by SHGs from Stree Nidhi will be eligible for VLR from State Govt. if the amounts due are repaid within 30 days from the due date.

3. Implementation process:

- i. SERP/MEPMA will make available in web site the principal amount to be paid by SHGs every month both in respect of cash credit and term loans under SHG bank linkage programme.
- ii. SERP will arrange for data, on repayments made by SHGs, from banks electronically every month before 10th of every month. From this data, all cases of prompt repayments (payments made within 30 days from due date) shall be identified before 15th of each month.
- iii. For all such eligible cases, interest amount paid by SHGs shall be calculated automatically using software. The amount will be transferred directly into the loan account of SHGs before 20th of every month.
- iv. In case of Stree Nidhi loans, the installment together with interest amount will be paid by SHGs. The interest component will be claimed by Stree Nidhi from Govt. and on receipt of the same, the interest component will be credited to loan or savings account of SHG concerned.
- v. For the purpose of these transfers, an escrow account will be opened and from this account amounts will be transferred to loan accounts of SHGs anywhere in the State. Where SHG loan accounts are closed the amounts will be credited to SB accounts of SHGs. In case of Stree Nidhi loans, the amounts will be transferred to the account specified by Stree Nidhi and Stree Nidhi will adjust the amounts as mentioned above.
- vi. Any SHG which fails to repay within 30 days from due date in any particular month will forgo the interest sub-vention from State Govt. for that month in case of loans under SHG-Bank linkage programme and Stree Nidhi loans.

4. Financial Implications:

- i. The financial implications will depend on the no of SHGs eligible for VLR, the extent of loan disbursed to SHGs over and above Rs 3 lakh, no of additional districts covered in category I, amounts to be reimbursed by Govt. of India to SERP in respect of category II districts, credit flow from Stree Nidhi, interest rates charged by banks etc.,

ii. The funds sanctioned under VLR will be released under the following Head of Accounts:

2235	:	Social Security & Welfare
02	:	Social Welfare
MH-103	:	Women's Welfare
MH-789	:	Spl component Plan for Scheduled caste
MH-796	:	Tribal Area Sub plan
GH (11)	:	Normal State Plan
SH (41)	:	Interest free loans to DWCRA women (VLR)
310	:	Grants in aid
312	:	Other grants in aid

5. Applicability to Urban areas

This order is also applicable to loans accessed by SHGs under the ambit of MEPMA but will be subject to the guidelines issued under NULM by Govt. of India for interest sub-vention from Govt. of India and guidelines of the State Govt. for the interest sub-vention as made applicable to rural SHGs. Till on line mechanism is developed by MEPMA, they will continue to release the interest sub-vention directly to SHG loan accounts by way of reimbursement. The amount of VLR to urban SHGs will be released under the following heads of account.

2217-80-191-GH 11-SH (82)-310-312
2217-80-789-GH 11- SH (82)-310-312
2217-80-796-GH 11- SH (82)-310-312

This order is applicable to loans accessed by SHGs under SHG Bank linkage programme and from Stree Nidhi.

This order is issued with the concurrence of Finance Department vide their U.O No.1648/40/15, EBS-VIII, Dated.23-02-2015.

A copy of this order is available on internet and can be accessed at the address:
<http://www.rd.telangana.gov.in>.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF TELANGANA)

J. RAYMOND PETER
PRINCIPAL SECRETARY TO GOVERNMENT

To
The Chief Executive Officer, SERP, Telangana, Hyderabad.
All the District Collectors in the State.
All the Project Directors, DRDA in the State.
Copy to:
The Spl. Secretary to CM
The PS to Chief Secretary
The PS to Minister (PR&IT)
The PS to Principal Secretary to Government (PR&RD)
The PR & RD (A&A) Department.
SF/SC.

//FORWARDED::BY ORDER//

SECTION OFFICER